UNITED
NATIONS

A

General Assembly

Distr.
GENERAL

A/51/488/Add.2
25 October 1996

ORIGINAL: ENGLISH

Fifty-first session
Agenda item 111

FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of organizations and programmes, namely, the International Trade Centre (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the International Drug Control Programme (UNDCP) and the United Nations Office for Project Services (UNOPS). Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its reports for the biennium ended 31 December 1995.

II. REPLIES FROM UNITED NATIONS ORGANIZATIONS AND PROGRAMMES

A. International Trade Centre

3. The actions taken or to be taken by ITC to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 1/ are set out in the table below.

Board recommendation	Action initiated
Financial matters ITC should adhere more closely to the provisions of ST/AI/285 regarding the issue of allotments prior to receipt of funds from donors.	ITC has not changed its procedures in response to this recommendation. As has been pointed out in replies to previous similar recommendations, the Centre considers that the varying practices of donors for approving projects and paying contributions have required the adoption of specific procedures which, although not strictly complying with ST/AI/285, meet the objectives of that instruction. Essential control procedures are in place. The operating reserve of approximately $1 million allows ITC to fund temporary shortfalls in donors' contributions (a procedure allowed only for the Centre's "traditional" donor Governments) and measures are in place to avoid an overall cash deficit on the technical cooperation fund.
ITC should adhere to United Nations procedures and ensure that, before approving a payment, it obtains assurance that goods received are in accordance with the purchase order.	The procedures described have been followed by ITC without loss for many years. In a few cases where goods delivered have not conformed to the terms of the purchase order or have been damaged in transit, they have been replaced free of charge either by the supplier or under insurance arranged for each consignment. ITC has no plans to change the system as recommended since this would delay payment to suppliers and would add to the administrative cost of processing such payments.

Board recommendation	Action initiated
Management issues Use of external consultants on technical cooperation projects ITC should augment the information contained in the consultants' roster to show previous assessments and experience, and key information such as technical skills and language spoken.	We must reiterate our comments of June 1996 that key information such as technical skills and languages spoken is contained in the roster and that the roster does not, and never will, replace the individual files which must always be consulted prior to any eventual recruitment. We are, however, considering refining further the information placed on the roster, resources permitting. Furthermore, we are awaiting the results of ITC's test use of a scanner to ascertain whether it would be cost-effective to purchase a scanner and scan pertinent information directly from the personal history forms and other supporting documents directly onto the roster.
The consultants' roster should be updated on a more timely basis and those consultants who have consistently failed to provide updated personal histories should be removed from the records.	Again we must reiterate our previous comments made in June that this recommendation is already being carried out in part and that only candidates with updated personal history forms are recruited. Owing to a severe lack of resources, the updating exercise can still only be effected once every two years.
Desk officers should define their likely future consultant needs in cases where specific specialists are in demand and determine a recruitment strategy.	Technical officers are encouraged to inform the Personnel Section well in advance of any special needs within the projects for which they are responsible.
ITC's report drafting guidelines should be applied to all types of reports submitted to ITC as well as highlight the main faults to avoid when drafting a report.	ITC technical officers have made vigorous efforts to ensure that consultants are informed of the standards expected of them in the preparation of their reports and those with problems in this area are provided with copies of model reports for their guidance.

Board recommendation	Action initiated
Wherever possible, contract terms of reference should define a clear, deliverable output capable of objective measure. Where contract terms are based on a number of man-days worked, ITC should establish appropriate controls to ensure that contract terms have been complied with.	Particular vigilance is being exercised in this respect. The daily attendance record instituted by ITC to ensure a careful control on the number of workdays claimed to have been undertaken by the consultants is regularly cross-checked with the travel authorization to ensure that the number of days tallies.
ITC should review the structure of the consultants' assessment form and improve the extent of feedback on the quality of the consultants' work.	We must once again reiterate our comments given in June to the effect that the end-of-assignment form is being reviewed and that feedback on the quality of a consultant's report/work has to be seen in the perspective of overall impact of project activities.

Board recommendation	Action initiated
Reporting on programme performance ITC should review its budgeting and programme reporting procedures in light of the Board's comments and suggestions (see para. 89).	Based on the broad objectives set out in the medium-term plan (MTP) of the United Nations (subprogrammes 9.6 and 9.7 for the period 1998-2001), ITC will prepare a more detailed and annually rolling three-year MTP (the ITC-MTP), which will set specific targets for the plan's period and elaborate specific outputs in each individual area of ITC's work programme. Programme performance indicators will be identified to measure the achievement of objectives. In addition, ITC will operate annual operation plans (AOPs), which will elaborate work plans for each output identified in the first year of the rolling ITC-MTP. The Corporate Strategy and Quality Assurance Section will ensure the corporate monitoring of programme performance on an annual basis. A prototype of the ITC-MTP and the AOP will cover the period 1997-1999 and the year 1997, respectively. The performance monitoring system, which will be supported by a computerized programme management information system, will be developed during 1997-1998. Reporting on performance, based on the new system, will be made in the annual report as from 1998.

B. United Nations University

4. The actions taken or to be taken by UNU to implement the recommendations of the Board of Auditors in its report for the year 1995 2/ are set out in the table below.

Board recommendations	UNU response	Follow-up actions	Status and target date
Programme management (a) A more systematic and transparent system should be established in UNU headquarters and its regional institutes for selection, appraisal and approval of projects. A sufficiently broad-sed academic advisory committee should be established in UNU/WIDER to assist in selection and review of research projects (see paras. 39, 41 and 43);	Audit recommendations have been noted. The University headquarters and its research and training centres will review the audit comments and observations in order to improve overall programme management.	A standard project document format has been developed by the UNU headquarters for use by all parts of the University, including the research and training centres and programmes. Projects reviewed at the eleventh Conference of Directors of UNU Research and Training Centres and Programmes (RTC/Ps) in April 1996 were presented in this standard format.	Ongoing/ 1 December 1997
(b) Progress of work relating to research projects including specific programme contributions (SPC) projects should be monitored more closely to avoid delays in implementation and reporting requirements and to ensure the quality of end products (see paras. 44, 46 and 47);		The review and approval process for UNU projects is being studied with a view to implementing a more formal and transparent system for the approval of projects.	
(c) Formal and institutional procedures should be established at UNU headquarters and its institutes for mid-term and ex post facto evaluations of projects including quantitative analyses of timeliness, budgetary control and achievement of targeted outputs (see para. 50);		A standard reporting format for the annual reports of UNU RTC/Ps which are submitted to the UNU Council was reviewed by the Bureau of the Council of UNU in July 1996. Reports to be presented to the forty-third session of the Council in December 1996 will follow this format. The standard format will assist the Rector and the Council in assessing the status of implementation of individual projects against original work plans.	

Board recommendations	UNU response	Follow-up actions	Status and target date
Training (d) Long-term training strategies should be developed by UNU and its institutes to provide appropriate training to young scholars from developing countries (see para. 53);	The audit recommendation is noted and accepted.	An assessment report on the University's training and fellowship activities is being prepared for submission to the Council of UNU at its forty-third session in December 1996. The report should be seen as a first step towards the development of a long-term strategy for UNU training activities.	Ongoing/ 1 December 1997
Consultants and researchers (e) Effective measures should be taken to attract a larger number of researchers and consultants from developing countries, in line with the Charter of UNU, by reversing the existing trend of engaging them predominantly from developed countries (see para. 61);	The audit recommendation is noted and accepted. The University will continue its efforts to improve the situation, taking into account the specific nature and need of consultants and researchers for its academic programmes.	The Rector of the University continues to stress the need for appropriate geographical and gender balance in the selection of consultants and participants in UNU academic activities. Measures are being taken to ensure that such balance has been achieved at the time of the approval of project documents and/or academic meeting plans.	Ongoing
Publication (f) Print requirements of publications should be periodically reviewed to avoid overstocking and wastage. Methods should be established to dispose of the large stocks of earlier publications either by offering discounts or through free distribution. Timeliness of publications should also be ensured (see paras. 14 and 57);	A small group of international publishing experts met in May 1996 at UNU headquarters to review the UNU Press, with the aim of further improving the efficiency and cost-effectiveness of University publishing activities. A report on the status of UNU publishing activities will be submitted to the Council of UNU at its forty-third session in December 1996.	The assessment report on UNU publishing activities is under preparation and will be submitted to the Council of UNU in December 1996.	Ongoing

Board recommendations	UNU response	Follow-up actions	Status and target date
Budgetary control (g) The systems and procedures for budget estimation and budgetary control should be reviewed to ensure that financial allotments and actual expenditures are closely related to appropriations (see para. 37);	The audit recommendations have been noted and accepted	Efforts are being made to strengthen the existing procedures for budget formulation, particularly for the 1998-1999 biennium budget, preparation for which is already commencing. Similar efforts are being made to improve the system and procedures for budgetary control. There is a need, however, for UNU budgetary statements to be reviewed periodically and adjusted as required in respect of changes in academic scope and the scheduling of specific activities.	Ongoing
Procurement (h) Annual procurement plans should be prepared in advance to ensure competitive bidding for goods and services. The printing contracts should be awarded after ensuring adequate competitiveness (see paras. 62 and 63).	The audit recommendation on printing contracts is accepted. This matter will be reviewed in conjunction with the assessment of the University's publishing activities mentioned above.	Efforts are being made to prepare annual procurement plans at UNU headquarters for 1997. Such plans will need to take account of the decentralized nature of UNU with its research and training centres in different parts of the world. They will also need to take into account policies and plans being formulated for key areas such as the periodic upgrading of information technology equipment and services.	Ongoing/ December 1996

C. United Nations Development Programme

5. The actions taken or to be taken by the United Nations Development Programme (UNDP) to implement the recommendations of the Board of Auditors in its report for the year 1995 3/ are set out in the table below.

Board recommendations	UNDP response	Follow-up actions	Status and target date
Financial issues 1. UNDP should supplement its existing approach by ensuring that all [national execution] projects with significant expenditure are audited independently (paras. 9 (a) and 70).	UNDP agreed to review the audit strategy and possible changes required to financial regulation 17.2, concerning the external audit of national execution projects.	The analysis recommended and the early start in selecting projects for audit have already been put in place. During late 1996, UNDP shall collect the required data from country offices. The end result will be a revision of financial regulation 17.2. By March 1997, UNDP will produce a draft which will be in line with the Board's recommendations on selection of projects.	Ongoing/ 1 March 1997
Reserve for field accommodation 2. UNDP should establish appropriate controls to coordinate and monitor payments made in the field and at headquarters for the construction contracts under the Reserve for Field Accommodation (RFA) (paras. 9 (b) and 85-91).	UNDP has established a working group to address the breakdown in controls, including monitoring and oversight. UNDP is examining the certifying and approving officer functions.	UNDP is addressing the structural problems relating to financial control and managerial supervision by tightening internal controls, including procedures to create obligations to cover all disbursements from the Reserve. Certification and approval functions associated with the Reserve have been revised. An inventory of transactions requiring certification or approval both at headquarters and in the field is being put together, looking at all signatory functions to delineate responsibilities of managers and staff and to establish ceilings for such authority and the conditions to be met. This is to ensure that such breakdown does not recur in the future. UNDP intends to report on the completion of this exercise at the September 1997 session of the Executive Board.	Ongoing/ 1 September 1997

Board recommendations	UNDP response	Follow-up actions	Status and target date
3. UNDP should ascertain whether any payments to contractors, subcontractors or the architect were outside the terms of the contracts and, if so, take appropriate recovery steps (paras. 9 (c) and 93-103).	In February 1996, UNDP engaged an architect to provide an independent assessment of the construction works. UNDP started an in-depth review into the contractual arrangements with the architect in question and his performance under the contracts. The Administrator has established a separate oversight committee to review accountability aspects of RFA.	UNDP has established a special group of finance, administration and audit personnel to review payments made and claims outstanding in order to verify their propriety.	Ongoing/ 1 December 1996
National execution 4. UNDP needs to establish standards of Governments' capacities to manage and deliver national execution projects (paras. 10 (a), 33 and 142-143).	UNDP told the Board that it would set standards for capacity assessments as part of its policy document on national execution and would issue better-defined capacity assessment guidelines as part of its revised Programme and Projects Manual.	Governments are primarily concerned with their capacity to execute projects and programmes. When considering capacity assessments towards UNDP standards and procedures, the UNDP country office is naturally called upon to initiate and guide capacity assessments. Revised capacity assessment guidelines will reflect this. Proposed steps include the recruitment of a consultant to refine and develop assessment guidelines for inclusion in the revised National Execution Manual currently undergoing preparation. Requirements on capacity would vary greatly, depending on the complexity of the project/ programme, implementation and management arrangements and use of available support. General standards and guidelines will reflect these facts.	Ongoing/ 31 January 1997
5. Country offices, in association with Governments, need to assess Governments' existing capacities against those [above] standards (paras. 10 (b), 141-142).	UNDP told the Board that it would set standards for capacity assessment as part of the policy document on national execution and would issue better-defined guidelines as part of its Programme and Projects Manual.	Refer to item 4 above.	Ongoing/ 31 January 1997

Board recommendations	UNDP response	Follow-up actions	Status and target date
6. UNDP, in association with Governments, needs to formulate projects designed to address any gaps or weaknesses in Governments' capacities to bring them up to the required standards (paras. 10 (c), 131 and 145).	UNDP has initiated regional workshops to strengthen the capacity of country offices and Governments in procurement activities. In 1996 UNDP had organized three regional workshops on monitoring and evaluation and was also developing arrangements with the World Bank to train senior officials in programme countries in monitoring and evaluation.	With its focus on capacity-building, UNDP is already addressing on a regular basis gaps in government capacity to manage its development projects. Future guidelines on capacity assessment will further facilitate the addressing of such gaps through project activities. The revised National Execution Manual will include further guidance on monitoring and evaluation in the national execution context.	Ongoing/ 31 January 1997
7. The objectives of national execution should be clearly defined to provide a closer link with UNDP's overall aims (paras. 11 (a) and 120).	UNDP concurred with the need to establish clearly defined objectives for national execution and was preparing a policy document for submission to the Executive Committee, which would address this issue and define a clearer strategy for the further expansion of national execution.	The key conclusions of the policy document have been discussed in the Executive Committee. The finalized document will be presented to the Programme Management Oversight Committee (PMOC) in October 1996. The proposed definition of objectives for national execution will be incorporated in the revised National Execution Manual and submitted to the Executive Board at its annual session in 1997, together with an expansion strategy.	
8. UNDP should issue new guidance on national execution which reflects all the relevant legislation and national execution's objectives, and strengthens and delineates UNDP's accountability requirements (paras. 11 (b) and 125).	UNDP told the Board that it was revising the Programme and Projects Manual and that this should simplify procedures, reconcile conflicting instructions and eliminate ambiguities concerning national execution. UNDP expects to issue the revised Manual by December 1996.	The revision of national execution procedures in the Programme and Projects Manual is ongoing, with the inputs from UNDP units concerned being discussed internally at present. Key proposed steps are workshops, recruitment of a consultant, and discussions in PMOC. Production and issuance of the final revised guidelines will be completed by January 1997.	Ongoing/ 31 January 1997

Board recommendations	UNDP response	Follow-up actions	Status and target date
9. UNDP should re-emphasize the need to assess the Government's capacity to undertake national execution projects (paras. 11 (c) and 142).	UNDP agreed that national capacity assessments needed to be strengthened in terms of scope, frequency and quality and that roles and responsibilities needed to be clarified. UNDP told the Board that it would set standards for capacity assessments as part of its policy document on national execution and would issue better-defined capacity assessment guidelines as part of its revised Programme and Projects Manual.	Refer to item 4 above.	Ongoing/ 31 January 1997
10. UNDP should develop capacity assessment guidelines, incorporating standards of Governments' capacity to undertake national execution projects, and provide training to country offices and Governments, to help them carry out strategic capacity assessments (paras. 11 (d) and 142).	UNDP told the Board that it would set standards for capacity assessment as part of its policy document on national execution and would issue better-defined capacity assessment guidelines as part of its revised Programme and Projects Manual.	Refer to item 4 above. The national execution procedures revision will be accompanied by a general training package, including issues of capacity assessment. Once such guidelines are established, the Office of Human Resources' Learning Resource Centre will incorporate the subject into its usual training programmes and workshops for UNDP programme staff.	Ongoing/ 31 January 1997
11. UNDP should establish an evaluation strategy to provide a comprehensive assessment of the progress and achievements of national execution (paras. 11 (e), 37 and 150-154).	UNDP told the Board that its approach consisted of a combination of internal reviews and external evaluations to identify experiences and highlight new issues for subsequent evaluations. UNDP's 1997 evaluation workplan includes studies on cost-effectiveness, sustainability and self-reliance.	UNDP has a strategy for assessing the progress and achievements of national execution. This strategy will be formalized in the Administrator's report on evaluation to be submitted to the Executive Board at its annual session in 1997.	Ongoing/ 1 June 1997
12. UNDP should initiate thematic evaluations of sustainability, capacity-building and cost-effectiveness, incorporating direct comparisons, where possible, between national execution and other execution approaches (paras. 11 (f) and 154).	The Board was pleased to note that UNDP's 1997 evaluation workplan includes studies on cost-effectiveness, sustainability and self-reliance.	Basic issues for this evaluation will be discussed at the next meeting of the Inter-Agency Working Group on Evaluation in November 1996. This evaluation will take place during 1997.	Ongoing

Board recommendations	UNDP response	Follow-up actions	Status and target date
13. UNDP should initiate a further review of the utilization and impact of the Technical Support Services (TSS 2) facility (paras. 11 (g), 135-138 and 156).	UNDP told the Board that the TSS 2 facility would be studied as part of a review of recent experiences of the support cost arrangements. UNDP informed the Board that new instructions would include a mandatory requirement for each national execution project to contain budgetary provisions for technical backstopping or participation by a specialized agency in the review of the project during implementation.	New national execution instructions will include a mandatory requirement for each national execution project to be reviewed as to the need for budgetary provisions for technical backstopping or participation by a specialized agency in the review of the project during implementation. Such budgetary provision could in the first instance be financed through the Support for Technical Services facility or be part of the regular budget.	
14. UNDP should develop, in association with the agencies, the information systems required to collect data for national execution performance indicators (paras. 11 (h) and 158-159).	UNDP told the Board that it was giving priority to accelerating the development of appropriate systems for the performance indicators and had engaged a consultant to develop such indicators. UNDP plans to integrate performance indicators for support cost arrangements and national execution with other performance benchmarks for UNDP's programmes.	UNDP is developing trademark sustainable human development indicators and a Project Impact Performance Assessment (PIPA) system. Programme performance will encompass all execution modalities. UNDP plans to integrate performance indicators for national execution with other performance benchmarks for UNDP programmes. Country offices will be instructed to pay optimum attention to include work on the development of national execution performance indicators as part of Support for Technical Services and Support for Project and Programme Development activities, whenever appropriate and feasible.	Ongoing/ 30 November 1996

Board recommendations	UNDP response	Follow-up actions	Status and target date
Budgetary matters			
15. UNDP should carry out work measurement exercises of country offices' activities to help strengthen its budgetary formulation process at the local level, provide benchmarking data for country offices and to compile standard performance indicators (paras. 12 (a), 41 and 168-169).	UNDP acknowledges the importance of independent work measurement exercises for country offices. UNDP told the Board that one of the projects it was pursuing as part of the management of change initiative concerned the "country office of the future" through which it would review office structures and establish benchmarks and standard performance indicators for country offices.	The "country office of the future" project is currently in progress in connection with the organization-wide management of change initiative. The target date for completion of the initiative is the end of 1997, including the establishment of country office work measurement exercises.	Ongoing/ 31 December 1997
16. UNDP should develop a means of reporting achievement of the activities provided for in the budget (paras. 12 (b), 43 and 171-172).	See recommendation 15 above.	Refer to item 15 above.	Ongoing/ 31 December 1997
Management of the funds			
17. UNDP should ensure that there is a clear and demonstrable analysis of the mandates of the funds and their contribution to all of UNDP's corporate objectives (paras. 13 (a), 44 and 178).	The Board noted that UNDP's Sustainable Energy and Environment Division (SEED) was developing such an approach for its activities, which included three of the funds reviewed (Global Environment Facility (GEF), Montreal Protocol, United Nations Office to Combat Desertification and Drought).	The mandates of funds are analysed for the contribution they make to strategy implementation. It is expected this work will be completed initially in March 1997. The goals and activities of the funds will be analysed and absorbed into the UNDP-wide workplan, and will relate to the corporate goals of UNDP. The work-planning process is annual with periodic reviews.	Ongoing/ 31 March 1997

Board recommendations	UNDP response	Follow-up actions	Status and target date
18. United Nations Development Fund for Women (UNIFEM) and the United Nations Capital Development Fund (UNCDF) should draw up a strategy, setting out their long-term business objectives and approaches for achieving their mandate and objectives (paras. 13 (b), 45 and 179-185).		At its forthcoming Strategic Planning Workshop, UNIFEM will develop a strategy and business plan as decided by the Executive Board. UNIFEM will report to the Executive Board on the progress of both at its first regular session and present both the paper and the plan at the annual session. The UNCDF policy paper entitled "Poverty reduction, participation and local governance" in 1995 laid out UNCDF's corporate goals. UNCDF has further refined its three core products and published papers on the policy and design frameworks for each. In January 1996, UNCDF commissioned an external capacity assessment to analyse its capacity to achieve these goals within three years given current staffing and practices. An action plan for carrying this out has been prepared and is under way.	Ongoing/ 1 July 1997

Board recommendations	UNDP response	Follow-up actions	Status and target date
19. UNDP and UNIFEM should prepare and implement a plan, with a clearly defined timetable, to replace UNIFEM's budget management system (BMS) with a system which is integrated with UNDP's main financial system (paras. 13 (c) and 194).	The Administrator had proposed that UNIFEM should replace BMS with UNDP's Project Financial Management System (PFMS).	A survey of PFMS capacities revealed that the system does not fully address UNIFEM needs and requirements. Because of its direct role in project planning, implementation and monitoring, UNIFEM requires a system which allows the inclusion of pipeline projects, the setting of approval ceilings and the tracking and monitoring of allocations and expenditures on a project-by-project basis. In the light of this, selected staff from UNIFEM participated last August in a workshop sponsored by UNDP on the Financial Information Management (FIM) budget module and concluded that this system, which will be integrated with UNDP's main financial system, best meets UNIFEM requirements. UNIFEM is therefore expected to adopt this UNDP FIM system for its budget management and reporting purposes. The expected completion date is mid-1997.	Ongoing/ 1 June 1997

Board recommendations	UNDP response	Follow-up actions	Status and target date
20. UNDP should establish a monitoring and evaluation strategy [for the funds and trust funds], with clearly defined criteria for selecting programmes for joint monitoring reviews and projects for evaluation (paras. 13 (d) and 198-205).	UNDP has recently developed draft terms of reference for monitoring reviews to be undertaken jointly with Governments and the beneficiaries during the course of country programmes.	UNDP is already assisting GEF and "Capacity 21" on developing a monitoring and evaluation strategy. The GEF Council is considering a monitoring and evaluation work programme. Upon approval, UNDP will develop an overall work programme to implement the GEF monitoring and evaluation work programme. Some funds such as UNCDF and UNIFEM already have a strategy in place. The revised UNIFEM period report formats have been tested in a number of countries, and new formats in the light of feedback have now been sent to all countries. UNIFEM anticipates worldwide use by October 1996. Most UNCDF projects are UNDP-co-funded and lend themselves to joint monitoring and evaluation. UNCDF produces an annual evaluation plan, summarizes reports and synthesizes lessons in an annual overview note. A more systematic strategy for other funds and trust funds will be established.	Ongoing/ 1 June 1997
Internal audit 21. The non-audit function of the Division for Audit and Management Review (DAMR) of updating manuals should be transferred to an operational unit (paras. 14 (a), 52 and 208-212).		Discussions are under way to transfer these responsibilities to the Division for Operational Policies and Procedures. These internal discussions are taking account of workload and staff resources.	Ongoing/ 1 December 1996

Board recommendations	UNDP response	Follow-up actions	Status and target date
22. In drawing up its plans, DAMR should assess and record the resource implications and skills needed for the work proposed, taking account of ad hoc demands (paras. 14 (b) and 225).		For each audit section, all auditable units and other workload indicators, by location and region, are being identified. A long-term (5-year) audit plan is being completed for each audit section, which includes: estimated resource requirements and costs for each audit or work task identified, proposed audit/coverage cycle, and capacity assessment.	Ongoing/ 31 December 1996
23. DAMR should clearly document the criteria used to select subjects proposed for review, which should include materiality, known and potential risks, and the timeliness of the proposed audit (paras. 14 (d), 57 and 223-229).		DAMR is carrying out a formal client consultation process to identify audit and work task priorities for 1997 and future years. DAMR will complete a draft 1997 audit workplan which will include for each audit or task identified: proposed timing (month), associated costs, basis for selection including risk assessment and consultation process, linkages of activities between DAMR section, capacity assessment for each audit section. DAMR will finalize the 1997 workplan and long-term plans.	1 December 1996
24. All audit sections should produce long-term audit plans identifying proposals covering their audit fields and any resulting resource changes needed (paras. 14 (d), 57 and 223-229).	DAMR anticipated that the implementation of additional regional service centres, further contracting with private sector auditing firms and improvements in the quality and scope of the firms' services would increase the audit coverage of country offices and release DAMR staff resources to carry out more audits at UNDP headquarters.	Refer to item 22 above.	Ongoing/ 31 December 1996

Board recommendations	UNDP response	Follow-up actions	Status and target date
25. DAMR should establish standard documentation, clearly setting out the audit procedures undertaken, and the findings and conclusions; and it should update its permanent files with basic information on the auditees (paras. 14 (e), 58 and 230).	The Board noted that this problem was being addressed as part of DAMR's quality service initiative.	DAMR, through its programme of quality service initiatives, will develop and implement documentation standards, including permanent file and audit working papers.	Ongoing/ 1 March 1997
26. DAMR should survey the risks associated with the operation of headquarters computer systems and provide audit coverage as appropriate (paras. 14 (f), 59 and 233).		Survey of risks associated with operations of headquarters computer systems forms part of DAMR's ongoing update of its long-term plan, based on work assessment, among its criteria.	Ongoing/ 1 November 1996
27. DAMR should establish procedures to follow up on actions taken by UNDP and the United Nations Office for Project Services (UNOPS) in response to internal audit recommendations to demonstrate the improvements made (paras. 14 (g) and 237).	The Board ... welcomes DAMR's plan to strengthen follow-up action as part of its quality service initiative.	DAMR agrees and will continue to improve on its follow-up on implementation of recommendations, including software enhancement, to facilitate follow-up of important recommendations.	Ongoing/ 1 December 1996

D. United Nations Children's Fund

6. The measures taken or to be taken by UNICEF in response to the recommendations of the Board of Auditors in its report for the biennium 1994-1995 4/ are described in UNICEF's report of 3 September 1996 to the United Nations Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions (E/ICEF/1996/AB/L.14).

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East

7. The actions taken or to be taken by UNRWA to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 5/ are described below.

Recommendation No. 1

8. An improvement in financial management is warranted in view of the fact that the present balance in the working capital is not enough to discharge fully its obligations. For example, fund-raising initiatives may be intensified, and expenditure monitoring and control strengthened.

Measures being taken by UNRWA

9. UNRWA is in the process of greatly intensifying its fund-raising initiatives and has recently experienced an improvement in donor country pledges to the General Fund. While the working capital and cash flow position is still not sufficient to discharge fully all Agency obligations, efforts are continuing to improve the situation through ever more austerity measures and stringent expenditure monitoring in addition to the new fund-raising efforts.

Recommendation No. 2

10. The Agency should ensure strict adherence to its programme management procedures on the acceptance, disbursement as well as reporting on project funds to assure donors of the effective utilization of their contributions.

Measures being taken by UNRWA

11. Strictly applied measures are now being taken to ensure that programme management procedures concerning the acceptance and disbursement of project funds are correctly adhered to. Improved reporting practices have been adopted to inform donors that their valued contributions are being properly utilized in relation to the purpose for which they were given. A new computerized project monitoring and reporting system is being finalized and will shortly become operational.

Recommendation No. 3

12. In view of its implication on the General Fund's cash flow, the Agency may wish to review its policy of advance authorization of funds to refinance projects prior to receipt of contributions, by limiting its application and strengthening its monitoring.

Measures being taken by UNRWA

13. UNRWA began to authorize the advance of funds to finance projects prior to the receipt of contributions in order not to delay the start of projects, especially under the Peace Implementation Programme (PIP). Now that the PIP has somewhat subsided, and as a result of the cash flow problems being faced, every effort is being exerted to limit the practice of advance funding. Advance authorization requests are being strictly scrutinized and are approved only when there is a confirmed pledge and only for projects which are actually ready to start. Monitoring has also been strengthened to ensure that funds are repaid to the General Fund immediately upon the receipt of project contributions.

Recommendation No. 4

14. Advance authorizations should be given only in respect of projects which are actually ready to take off.

Measures being taken by UNRWA

15. As a result of the cash flow situation facing the Agency, funds are no longer being advanced for projects, even those ready to take off, unless the related contribution(s) has been received. Donors will have to ensure that contributions are paid more promptly if projects are to begin on time.

Recommendation No. 5

16. The implementation of projects funded by the Saudi Arabian pledge should be expedited to ensure speedy reimbursements to the General Fund.

Measures taken by UNRWA

17. In addition to making every effort to expedite implementation of projects funded by the Saudi Arabian pledge, the issue is now under review in order to effect a change in the funding policy of these projects.

Recommendation No. 6

18. Cash contributions should be recognized as income in the year they are received.

Measures taken by UNRWA

19. The necessary action has been taken to ensure that cash contributions are recognized as income in the year in which UNRWA receives the contributions.

Recommendation No. 7

20. UNRWA's involvement in any project should be at the very start of the planning process to provide the necessary expertise in the development of a feasible project plan and realistic implementation schedules to expedite project delivery.

Measures being taken by UNRWA

21. A new approach is being formalized to allow the Agency to concentrate more effort in the initial phases of project development both internally and externally with donors. Initiatives are being developed to allow for more advanced project planning, feasibility studies, realistic implementation scheduling and properly structured implementation monitoring plans. Coupled with these activities is a revamped reporting system to keep donors informed of the utilization of their contributions by the Agency.

Recommendation No. 8

22. Monitoring and reporting of deliveries of donations in kind to the Gaza Hospital should be effectively coordinated between headquarters, Vienna and the Field Office, Gaza, to facilitate their prompt accounting.

Measures being taken by UNRWA

23. The European Gaza Hospital project is the largest, most complex project UNRWA has ever undertaken. The project is still not completed because of funding shortfalls and equipment delivery problems. Donations in kind continue to be received and put in place. An extra effort is being marshalled now that UNRWA headquarters has been transferred from Vienna to Gaza to coordinate the monitoring of donations in kind with the Gaza Field Office, and to update the reporting required thereon. Prompt accounting of such donations in kind is now being strictly controlled.

Recommendation No. 9

24. To improve planning with appropriate consideration for sustainability, the Agency should develop a more effective system of consultation and coordination with all parties concerned.

Measures being taken by UNRWA

25. Planning is one area where the Agency continues to strive for improvement. Sustainability of any UNRWA activity is a serious consideration when planning

new projects and reviewing operational activities. The Agency endeavours to involve all concerned parties, to the greatest extent possible, when considering the acceptance of new contributions which will impact on programme activities through high recurring costs. Sometimes it is not possible to link sustainability with donors' short-term interest in Agency projects or programme activities; however, every effort will be made to improve UNRWA's ability to consult and coordinate on such long-term considerations.

F. United Nations Institute for Training and Research

26. The actions taken or to be taken by UNITAR to implement the recommendations of the Board of Auditors in its report for the year 1995 6/ are set out in the table below.

Summary of recommendations	Immediate action taken by UNITAR	UNITAR's mid-term objectives
(a) UNITAR should implement more effective controls over expenditure, in particular staff costs, in addition to collecting outstanding pledges and attracting more income to the General Fund.	UNITAR has introduced a new information accounting system. Several reminders have been sent to countries which had pledged but not paid their voluntary contributions. As for fund-raising, the Board of Trustees has decided to organize a systematic campaign at regional and country levels.	To have at the beginning of the year enough funding to cover all costs of the months to come.
(b) Disputed charges transferred to UNITAR from United Nations Headquarters in New York should be examined and cleared promptly.	The Board of Trustees decided during its session of September 1996: "As regards the funds requested by the financial services of the United Nations in New York related to past debts of UNITAR, the Board noted that General Assembly resolution 47/227 of 8 April 1993, calling for the transfer of UNITAR to Geneva, had decided on the appropriation by the United Nations of the UNITAR building in New York against all the debts of the Institute, without exception." The Board requested, however, that details on the source of and reason for this request be submitted for its consideration at the next session.	To solve this question once and for all.
(c) More effective control should be exercised over project expenditure, and financial commitments should not be made without sufficient donor funds.	More effective control will be ensured through introduction of TM/I Perspectives, Analytical Database Engine, for use with Excel and 1-2-3 for Windows, which will be used by all programme coordinators.	No funds will be committed prior to having been introduced into the database.

Summary of recommendations	Immediate action taken by UNITAR	UNITAR's mid-term objectives
(d) UNITAR should carry out liaison with the United Nations Office at Geneva (UNOG) and UNDP headquarters to clear outstanding inter-office vouchers and advances and to establish prompter procedures for reporting expenditure made by UNDP on behalf of UNITAR.	Fresh requests have been made to the UNDP field offices concerned. Almost half of the pending inter-office vouchers (IOVs), representing approximately one third of the outstanding funds, have been cleared since the audit.	To find ways with UNDP field offices to accelerate procedures for reporting expenditures.
(e) UNITAR should open up discussions with major donors to seek their agreement to funding projects in advance, rather than on a reimbursement basis.	UNITAR is negotiating with actual and potential donors. Obviously, a compromise has to be sought with the proper rules and regulations of the donors, in order not to jeopardize the funding of programmes.	To consider the introduction of specific regulations into the 'Policies and procedures on connection with the establishment and management of special purpose grants' by UNITAR's Board of Trustees.
(f) UNITAR should improve its planning of staff expenditure in order to ensure that sufficient funds are available to meet staff costs.	The issue is related to the position of cash flow. UNITAR's dilemma is clear: guaranteeing a minimum job security while avoiding financial commitments for a period which would not be fully covered financially. Financial and legal proposals have been submitted to UNOG and the Office of Human Resources Management (OHRM) to establish concrete and practical procedures.	Guaranteeing reasonable terms to UNITAR staff, to facilitate the recruitment and retention of motivated and competent personnel.

G. Voluntary funds administered by the United Nations High Commissioner for Refugees

27. The voluntary funds administered by UNHCR are audited by the Board of Auditors on an annual basis. The measures taken or to be taken by UNHCR in response to the recommendations of the Board of Auditors in its report for the year 1995 7/ are described in the report of UNHCR of 11 September 1996 (A/AC.96/869/Add.1).

28. Further to the information contained it its report, UNHCR adopted the following timetable for implementation of the Board's recommendations:

Recommendation 10 (a): Full implementation of the new audit certification requirements will be complete by the end of 1997.

Recommendation 10 (b): Budget variation analysis is in effect already implemented.

Recommendation 10 (c): Budget estimation criteria will be improved during the course of 1997 and applied for the 1998 budget year.

Recommendation 10 (d): UNHCR does not have resources to analyse inflation and exchange rate movements by country. The method of computation of vacancy rates will be reviewed during 1997.

Recommendation 10 (e): The separation of common staff costs percentages will need to await the introduction of revised coding structures and systems which are not envisaged to be in place before 1999.

Recommendation 10 (f): The difficulties of uneven funds availability have been analysed but existing funding constraints preclude further action.

Recommendation 10 (g): The beneficiary selection process will be better documented during 1997.

Recommendation 10 (h): Workplans will continue to be used on a selective basis.

Recommendation 10 (i): Performance indicators will be developed and refined during the course of 1997-1998.

Recommendation 10 (j): Improvements in the whole supply chain process are due to be implemented during 1997.

Recommendation 10 (k): The Implementing Partner assessment process will be completely revamped during 1997. An internal audit investigation took place in the United Republic of Tanzania during September 1996.

Recommendation 10 (l): Project reporting actions have been completed and compliance monitoring is ongoing.

Recommendation 10 (m): Evaluation of programme results will be part of the change management process throughout 1997.

Recommendation 10 (n): Completion of receiving reports is currently being improved and new procedures are scheduled for introduction in the first quarter of 1997.

Recommendation 10 (o): The procurement planning process improvements have been implemented and results are being monitored.

Recommendation 10 (p): Action to improve Implementing Partners' procurement practices have already been implemented.

Recommendation 10 (q): Bulk item procurement procedures will be reviewed during 1997.

Recommendation 10 (r): Training for Implementing Partner staff will take place throughout the remainder of 1996 and into 1997. Training material is complete.

Recommendation 10 (s): An information systems high-level plan has already been prepared and the full information systems strategy will be completed over the next 12 months.

Recommendation 10 (t): The annual financial statements format will be revised when the statements are next produced in February 1997.

H. Fund of the United Nations Environment Programme

29. Specific actions taken, or to be taken, by UNEP to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 8/ are summarized in the table below.

30. In this connection, UNEP will put in place a better system for monitoring the execution of the audit recommendations, to improve their overall implementation. Managers responsible for the execution of recommendations will be assisted in developing an implementation plan with specific deadlines for the various steps to be performed to achieve fully the objectives and means of verification to establish successful execution of each recommendation. Implementation plans will be monitored and a quarterly status report will be prepared, indicating whether the planned steps have been completed and if not, why. When appropriate, corrective actions to deal with problems encountered will be formulated and incorporated in the revised implementation plan. The quarterly status reports will be combined into a comprehensive report on the implementation of all audit recommendations.

31. It should be noted that from 1 January 1996, all issues concerning personnel, finance, support services, conference services, electronic services and United Nations security coordination are under the United Nations Office in Nairobi (UNON). Thus, the responsibility of implementation relating to these falls directly under UNON.

Board's recommendations	Status of implementation
Programme management The policy framework for interaction with non-governmental organizations (NGOs) involved in the field of environment should be further expedited. The catalytic role of UNEP and the role of field offices in programme planning, project formulation and implementation should be clearly defined (paras. 11 (a) and 41-43).	As of July 1996, the policy framework for interaction with NGOs involved in the field of environment has been drafted, following a consultation process with selected NGOs and with the UNEP Executive Committee. The catalytic role of UNEP is already being exercised through drawing contributions from scientific and other communities on emerging environmental issues. Regional projects are now developed at the regional level in liaison with the substantive office at headquarters for the purposes of programme coordination. They are then sent to Headquarters for approval. The regional offices have been involved in the selection of consultants for evaluation, drawing terms of reference and supervising evaluation since 1995.
The merits and demerits of the present system of top-down planning and its impact on project implementation should be reviewed to see whether a more composite and timely process should be evolved in its place (paras. 11 (b) and 44-45).	While there were some administrative delays in the preparation of the 1994-1995 programme of work and project approval, no such problems were experienced in the 1996-1997 programme and most projects were approved by January 1996. The present UNEP planning system is already being initiated from the level of Programme Managers.
Project management The planning and budgeting process should be integrated by obtaining all necessary approvals for programmes and projects in accordance with a time-schedule. Project implementation should be coordinated in a manner to avoid an uneven flow of expenditures (paras. 11 (c), 47-49).	UNEP has established a Project Approval Group to review and approve projects and in general to coordinate projects better. It started its operations in December 1995. Most of the project documents were already approved in January 1996.

Board's recommendations	Status of implementation
The Board is of the view that in order to avoid widespread project delays and cost overruns, UNEP should evolve a more detailed programme strategy taking into account the fund constraints and other factors (paras. 50-51).	Since UNEP's projects are funded on a voluntary basis, project implementation is subject to the availability of funds which may result in time and cost overruns. A mid-term review is taking place in order to ensure that the work programme implemented is in line with the level of available funds. Please also see our response to para. 11 (g).
A budgetary control mechanism should be put in place to avoid excess expenditures over allotments and late recurrence of expenditures (paras. 11 (d) and 53-54).	The auditors noted that as compared to earlier periods, the frequency in project revision was significantly less, which was a positive achievement. Every effort is being made to ensure that project revisions are kept to a minimum.
The Board's review of project documents, however, revealed that the follow-up action to be taken by the executive agencies as a result of the review of half yearly progress reports was not generally documented. The Board recommends that the Administration should record the results of the review and issue instructions to implementing agencies regarding the follow-up action required (paras. 55-56). The Administration accepted the recommendation of the Board that the PMS (Project Management System) should be utilized to weed out the inefficient implementing agencies (para. 61).	UNEP maintains a database on executing agencies as part of its project management system. This enables analysis of agency performance such as delays in reporting, frequency of revisions and fund utilization. Inefficient executing agencies will be identified and recommendations for weeding them out will be submitted to the UNEP management for its decision.

Board's recommendations	Status of implementation
The Board recommended that UNEP consider providing a history sheet in each project document file where all events in the life of a project could be properly documented. The Board considered that such a system would help in building up institutional memory (paras. 62-63).	The UNEP manual on design, approval and evaluation for projects already provides tools (projects progress report, terminal report, self-evaluation fact sheet) for collecting comprehensive information on the life of a project to meet evaluation and reporting requirements. With the abolition of the Central Registry, both the Programme and Fund Programme Management Branch of UNEP will maintain a comprehensive filing system for each project. We therefore consider that these reports and the filing system will more than adequately meet the audit requirements and thus we do not see the need to establish an additional history sheet.
The Board recommends that the system of evaluation of projects be improved by stronger follow-up action on outstanding terminal reports and evaluation fact sheets. UNEP should also establish more detailed procedures and guidelines for evaluation (paras. 59-60).	We agree with the recommendation. However, in the present tight financial situation, UNEP does not have the means to carry out ex post facto evaluations. Every effort will be made to include necessary management and administration support cost funds for this in the 1998-1999 budget.
UNEP should take measures to obtain required documents to enable closure of all completed projects (paras. 11 (e) and 57-58).	Action has been taken to solicit from executing agencies all outstanding project reports and to effect timely closure of projets. Further cash advances for ongoing projects are being withheld pending submission on outstanding reports.

Board's recommendations	Status of implementation
Financial management Budgetary assumptions should be modified to adopt an averaging method of estimating exchange rates and location of specific vacancy rates. UNEP should also prepare more realistic estimations of voluntary contributions (paras. 11 (g) and 35-40).	MASC budgetary assumptions have been modified in line with these recommendations. Revised 1996-1997 and proposed 1998-1999 budgets will reflect these modifications. There is perhaps some misunderstanding on the estimates of voluntary contributions. The contributions assumptions used in budget documents prepared for the Governing Council are not estimates or even projections. They are no more than an estimation of the contributions that would be required to implement the programme proposed to the Governing Council, usually based on the programme requested by the Council at its previous session. Once the Council has approved a programme budget for the following biennium at its current session, an estimate of the contributions required to implement the approved budget is prepared. This represents the target of the contributions for that biennium. That target has not in the past been recorded in the report of the Governing Council but it is proposed that in the future it should be. Unfortunately, this adjusted target will not necessarily provide a protection against Governments reducing their contributions compared with the previous year (as has happened in the current biennium) or even against Governments not contributing at the level they agree in the Governing Council when they approve the programme.

Board's recommendations	Status of implementation
Efforts should be continued to ensure that all executing agencies provide audited expenditure statements and audit certificates in respect of monies released from the Environment Fund soon after the financial period is over (paras. 11 (f) and 31-32).	The UNEP manual entitled Project Design, Approval and Evaluation sets out the conditions relating to the submission of audit certificates. UNEP has put in place the necessary measures in order to ensure the timely submission of the audited expenditure statements, i.e., UNEP will withhold future cash advances from those organizations which have not provided the audit certificate and will not enter into new contractual arrangements with supporting organizations which have not provided necessary audit documents.
The Board recommends that UNEP should carry out periodic reconciliation of inter-office vouchers in concert with United Nations Headquarters (para. 29).	UNON is implementing the recommendation.
The Board recommends that the Administration should take measures to adjust/recover the advances (United Nations organizations, staff members, others) in accordance with United Nations rules and regulations (para. 30).	UNEP maintains a database on cash advances paid to executing agencies and monitors unspent balances as well as institutes action for their recovery. UNEP has set out a task force to look into this question with a view to implementing measures for detailed ageing analysis by 1 January 1997. The responsibility of following up the advances paid to staff lies with UNON.

Board's recommendations	Status of implementation
Publications A more comprehensive annual publishing programme should be established in concert with all programme managers. Guidelines should be issued to prevent unplanned external printing of publications including the requirement of prior approval of the Editorial Committee (paras. 11 (k) and 64-67).	More efficient planning is now provided through the UNEP Publications Board, which will work closely with the Programme Coordination Committee. The 1996-1997 Publishing Programme has been approved. The guidelines were issued on 20 August 1996 to the effect that all requests for printing publications will be submitted first to the UNON Documents Reproduction and Distribution Unit for review to see if the work can be done in-house before contacts for outside quotations are made. Printing of publications under a co-publishing programme is an exception. The UNEP publications manual sets the requirement that all publications need an approval from the Editorial Committee. Thus separate guidelines are not needed in this respect.
UNEP had not priced most of its publications owing to the absence of a pricing policy (para. 68).	As recommended by the Board, UNEP has since established an appropriate pricing policy and has also revised its publications manual suitably to cover pricing.
Procurement The practice of placing piecemeal purchase orders for commonly used commodities should be avoided. UNEP must ensure that each substantive unit prepares a purchase plan based on need, which collectively should form UNEP's annual procurement plan (paras. 11 (h) and 69-72).	This is proceeding according to schedule and will be submitted to UNON in 1996. UNON will finalize.
UNEP will have to take further measures to implement the Board's recommendations fully. Competitive bidding should be maximized through advance planning of purchases (para. 9).	UNON is implementing the recommendation.

Board's recommendations	Status of implementation
The established rules and procedures on procurement, including those relating to competitive bidding should be endorsed more rigorously (paras. 11 (i) and 73-77).	UNON is implementing the recommendation.
Deliveries of supplies by vendors should be monitored against stipulated time schedules and a vendor performance system should be established early. Inclusion of a penalty clause in purchase orders, at least on a selective basis, should be considered (paras. 11 (j) and 78-80).	UNON is implementing the recommendation.
<u>Conference services</u> The possibility of renting out the available surplus capacity of the conference facilities should be considered (paras. 11 (m) and 86).	UNON is implementing the recommendation.
<u>Human Resources Management</u> The Board recommends that the Administration take effective measures to finalize the job descriptions in respect of all posts expeditiously (para. 85).	Classification of posts will be completed by December 1996. No posts are filled without the post having been classified.

Board's recommendations	Status of implementation
Appointment of consultants should be regulated in line with the established policies; the roster of consultants should be reviewed and updated periodically. Selection of consultants should be made after considering alternate candidates by widening the search for prospective candidates. Guidelines should be established for determining consultants' fees (paras. 11 (1) and 81-84).	UNEP issued revised guidelines on 5 March 1995 for recruitment of consultants to ensure that consultancies are awarded on the basis of established need, expertise and value for money. UNEP will also make every effort to select consultants from the full range of countries, including developing countries and countries with economies in transition, taking due consideration of geographical and gender balance. Additionally, following the merging of the administrations of Habitat and UNEP on 1 January 1996, a comprehensive review is being undertaken on the procedure, governing and recruitment of consultants (e.g. fees) to improve the comparative evaluation while at the same time harmonizing the procedures of UNEP, Habitat and UNON. A joint working group has been set up for the purpose. The roster of candidates is also in the process of being updated. The Executive Director has reported on the status of consultancies on a quarterly basis to the Committee of Permanent Representatives (UNEP/GC.18/42 and UNEP/GC.18/49). The information which is regularly reported includes details of the purpose of consultancies awarded, length of consultancies, geographical distribution of consultants, amount paid and evaluation of completed consultancies.

I. United Nations Population Fund

32. The measures taken, or to be taken, by UNFPA to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 9/ are described in the table below.

Recommendations	Follow-up action	Current status/Comments
Trust funds UNFPA should adhere more closely to the requirement that trust fund activities only be initiated on a fully funded basis.	UNFPA will increase its efforts to comply with this requirement.	This requirement has been adhered to except for one case with a negative balance of $3,748 as of 30 June 1996. We have been in touch with the funding organization for immediate payment.
National execution UNFPA should make a more systematic assessment of country needs to ensure that it can respond in a well-planned and effective manner. It should also set strategic targets for the implementation of national execution.	As of 2 October 1996, UNFPA has established a Task Force on Policies and Procedures to assist the Fund in preparing and issuing guidelines relevant to its future operations. In this context, a national execution guide and strategy paper will be prepared. The staff training programmes will be redesigned accordingly. UNFPA is also encouraging the formulation of a programme management framework within its country programmes, which will address the issue of national capacities and execution modalities.	UNFPA has started reviewing the existing guidelines related to national execution with a view to updating and revising them. In addition, UNFPA has initiated consultations with UNDP, which is also developing guidelines.

Recommendations	Follow-up action	Current status/Comments
UNFPA should determine the role and responsibilities of field staff in relation to national execution and then plan the training and resources required to equip the field offices to fulfil their tasks.	A Senior Management Adviser has reviewed field office capacity between November 1995 and April 1996 and will provide recommendations to UNFPA management for strengthening field offices. Moreover, an evaluation of the UNFPA training programme is under way.	The evaluation of the UNFPA staff training programme will be completed in early 1997.
UNFPA should issue guidelines to help field offices assess and enhance national capability; and it should finalize and issue the draft guidelines on the selection and assessment of institutions for national project execution.	The Task Force on Policies and Procedures will oversee the production and completion of all relevant guidelines.	
UNFPA should evaluate its progress on implementing national execution; the methods used to enhance national capacity; and compare the effectiveness of national project execution with agency or other execution.	UNFPA has initiated a thematic evaluation of executing agency modalities which will assess management and technical tasks carried out by agencies in order to assist UNFPA in fulfilling its mandate. UNFPA will also undertake a study on absorptive capacity and utilization of financial resources among recipient countries, particularly in Africa, in order to identify constraints and recommend operational measures.	The thematic evaluation and the absorptive capacity study will be completed by February 1997.

Recommendations	Follow-up action	Current status/Comments
<u>Technical Support Services arrangements</u> UNFPA should develop appropriate indicators of capacity-building and of the impact of country support teams on programmes and projects	In the process of further developing the workplan for the country support teams (CSTs) and the semi-annual progress reports, UNFPA will consider how the impact of CSTs on programmes and projects can be measured.	
UNFPA should review the scope for extending the use of consultants in a country support role in order to gain access to fresh skills, as well as reduce costs.	The Guidelines on Technical Support Services (TSS) have been revised and include a stronger focus on the first level of expertise, namely, national consultants, to be involved in technical backstopping.	The revised TSS Guidelines are currently being reviewed by the specialized agencies and should be issued by early 1997.
UNFPA should establish and periodically review countries' needs and ensure that CST resources are adjusted accordingly.	UNFPA has established a field unit under the direct supervision of the Deputy Executive Director (Programme), which will ensure closer coordination between country needs and CST resources.	These issues are reviewed annually by the Inter-Agency Task Force dealing with the TSS arrangement.
UNFPA should review the CST offices' running costs and exercise tight control, including establishing performance targets and measures to provide standards against which CST offices can compare their costs.	The establishment of a field unit under the direct supervision of the Deputy Executive Director (Programme) will ensure that the budgets of the CST offices are coordinated for better comparison of costs. UNFPA will also develop operational guidelines addressing priority issues for the CSTs so as to clearly indicate what is expected of them.	The operational guidelines are currently being drafted and should be issued by early 1997.

Recommendations	Follow-up action	Current status/Comments
<u>Management of interregional projects</u> UNFPA should give more consideration to whether an agency is best suited for a project, whether all the alternatives have been assessed and the most cost-effective approach chosen.	The thematic evaluation of execution modalities, currently under way, will include an assessment of the effectiveness of executing agencies and will provide UNFPA with the information required to improve the selection process.	The evaluation missions will be conducted during November 1996. The final report will be issued during the first quarter of 1997.
UNFPA needs to take a more proactive role in formulating projects, setting out the requirements for meeting UNFPA's overall objectives and those of the intercountry programme.	UNFPA has taken on a more proactive role in linking the 1996-1999 intercountry programme to country needs and has implemented a new process for the collective review of regional and interregional projects by the UNFPA Programme Review Committee (PRC). This approach has been effective in enhancing complementarity of activities at global and regional levels. The PRC forum, with the participation of the geographical divisions (which have responsibility for country activities), also provides the opportunity of obtaining advice and comments in terms of the eventual use and relevancy of the outputs of the proposals to the countries.	
Where appropriate, UNFPA should use baseline studies to identify the need and the potential recipients of the project; and, where possible, UNFPA should set out a project's objectives in clearly quantifiable and qualitative terms.	The Task Force on Policies and Procedures will ensure revisions of UNFPA's programming guidelines as a priority task. The use of baseline studies and the clearer definition of quantitative and qualitative project objectives will be emphasized.	

Recommendations	Follow-up action	Current status/Comments
There should be more active involvement by the project officer in obtaining independent evidence of the project's progress, its quality, whether it is reaching the intended recipients and whether the objectives are being achieved.	The role of the project officer in monitoring activities will be reviewed with a view to strengthening his involvement. Moreover, guidelines have been drafted which specify the role of each unit in the Technical and Evaluation Division in the monitoring of interregional projects. As a result, a more systematic process is being established and will improve the backstopping of interregional projects.	
<u>Selection and use of consultants</u> UNFPA's Division of Personnel should set clear criteria for consultants' terms of reference and ensure that they are met.	On 3 July 1996, UNFPA issued criteria to clarify the preparation of consultants' terms of reference. Moreover, on 16 September 1996, UNFPA issued a checklist to all Divisions to guide them in preparing and reviewing requests for hiring of international consultants. The checklist includes an item on terms of reference.	

Recommendations	Follow-up action	Current status/Comments
UNFPA should make increased use of its international roster and maintain it with up-to-date information.	UNFPA has instructed its country support teams and geographical divisions to ensure the inclusion of all consultants in its international roster and to improve the management of the roster by the Technical and Evaluation Division.	UNFPA will constitute an interdivisional working group to review the use of special service agreements, including the design and standardized use of the consultants' roster, identification based on the technical assessment by the Technical and Evaluation Division and selection process and procedures, areas and actions which could be decentralized, special service agreements contract management, and assessment of performance, and to make recommendations for future recruitment.
UNFPA should review its selection procedures for consultants to secure a wider consideration of candidates.	The improved management of the consultants' roster will assist UNFPA staff in ensuring a wider consideration of candidates for special service agreements. The Working Group on the Use of Special Service Agreements will also review the selection and assessment of international consultants.	
Evaluating officers should be required to give greater attention to the completion of assessment forms; as a minimum, the consultants' strengths and weaknesses should be identified.	UNFPA will revise its forms for tighter management of the performance assessment of consultants. This issue will also be reviewed further by the interdivisional working group, to be lead by the UNFPA Personnel Branch.	

J. United Nations Habitat and Human Settlements Foundation

33. The measures taken, or to be taken, by the United Nations Habitat and Human Settlements Foundation (UNHHSF) to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 10/ are described below.

Summary of recommendations	Actions to be taken	Actions to be completed
Financial management (a) The amounts diverted from the Foundation funds to meet the expenditures of Habitat II should be reimbursed expeditiously (see para. 41);	Interfund payable/ receivable situation of Habitat II/HHSF to be balanced.	1996. The statement of assets, liabilities and fund balance ended on 30 September 1996 shows that Habitat II has an interfund receivable of US$ 549,024.
(b) As mandated by the General Assembly, two separate trust funds should be established early to fund the expenditure of the Habitat II Conference, and necessary corrections to the accounts should be carried out (see para. 38);	Separate trust funds to be set up.	1996. Completed F-238 forms together with pertinent details were sent to the Budget Division in June 1996.
(c) Financial statements should be prepared in future in conformity with United Nations System Accounting Standards (see para. 37);	To be brought to attention of the United Nations Office at Nairobi.	Action completed.
Programme management (d) Programme planning and project design should be improved by critical review at the project appraisal stage. The process of cost estimation of inputs and the allocation of resources to different components within a project should be subjected to closer scrutiny at the project appraisal stage (see paras. 57 and 59);	Programme Review Committee (PRC) set up to assess all project documents before final approval. Established August 1996.	1996. Committee in place and fully operational reviewing programme and project design. 1997. Review effectiveness of process.

Summary of recommendations	Actions to be taken	Actions to be completed
(e) Project implementation should be improved by identifying the weaknesses in project coordination and management control and by ensuring that workplans provide for performance indicators. It should also be ensured that the technical assistance provided in the project is of the required standards and takes into account the capacity of the national staff (see para. 62);	Project design deficiencies have been referred to PRC and will be addressed through this mechanism.	1996. Committee in place taking into account deficiencies noted by auditors. 1997. Review effectiveness of process.
(f) Project managers should be required to ensure timely completion of terminal reports including analysis of the reasons for time and cost overruns. Further, UNHHSF should take the initiative to complete evaluation of technical cooperation projects in time (see paras. 65-66);	Unit coordinators and section chiefs to be made responsible for timely completion of technical reports and evaluation of technical cooperation projects.	1996. Instructions to be issued. In case of technical cooperation projects, list of terminal reports to be included in quarterly reports. 1997. Review implementation.
(g) The lessons learned from project implementation in different countries should be consolidated for dissemination (see para. 68);	Matter under consideration.	1996. Establish mechanisms for disseminating knowledge desired from projects. 1997. Mechanism in place by mid-year.
Procurement (h) Procurement planning should be improved to avoid piecemeal purchases. Systems contracts should be awarded for commonly required items, after ensuring wider competition (see paras. 76 and 77);	To be brought to the attention of the United Nations Office at Nairobi.	Action completed.

K. Fund of the United Nations International Drug Control Programme

34. The measures taken, or to be taken, by UNDCP to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 11/ are described below.

Audit certificates from executing agencies

35. The Board recommends that UNDCP should take action to ensure timely receipt of audit certificates from executing agencies. While the Board recognizes the improvement achieved compared to 1992-1993, some difficulties still persist in obtaining such audit assurances from non-governmental organizations, which, like all other executing agencies, are formally required by their agreements with UNDCP to submit audited statements in time. The problem is basically one of timing only in that these statements are not available prior to the conclusion of the audit of UNDCP. In order to limit cases of delayed receipt of audit certifications, UNDCP closely monitors the compliance of executing agencies with the reporting requirements through additional follow-ups.

Performance reporting

36. The Board recommends that UNDCP should consider presenting a performance report which indicates actual out-turn for the biennium in terms of activities and includes a quantified summary of achievements against mandates and objectives across all activities. At present, a performance report covering budget and programme delivery for the current biennium is submitted together with the initial budget for the next biennium for approval by the Commission on Narcotic Drugs (CND). The current biennium's performance report, however, only allows for the presentation of 18 months of actual programme delivery as it is prepared in the last quarter of the biennium by which time full results are not known, with the last six months being covered by performance estimates. Thus, actual expenditure against budget by funding source and object of expenditure can only be reported when the audited financial statements are prepared following the end of the biennium. This report, based on actual out-turn, is considered by the Commission when it convenes after more than a year following the end of the biennium.

37. The present submission of a report covering jointly the current biennium's budget and programme performance together with the proposed initial budget for the future biennium is considered necessary information for Member States to examine the realism and appropriateness of future budget estimates against the most up-to-date performance report. However, following the Board's recommendation, it is being proposed to the Commission on Narcotic Drugs that present programme performance reporting be complemented by the submission of a performance report on actual programme delivery for the last six months of the current biennium as part of the report of the Executive Director which is provided in the audited financial statements. Without recalling the performance report on programme already submitted in the budget process, an additional quantified summary on overall programme delivery would be included in the audited financial statements as well as explanations of changes as compared to the first report. As is the case at present, the audited report would be

available to Member States in the second half of the year following the end of the biennium for consideration by the Commission on Narcotic Drugs during the following regular session.

38. Therefore, the proposed approach of implementing the Board's recommendation will preserve the benefit of providing performance assessments in the budget process while avoiding duplication of reporting and enhancing the timely submission of performance information on the programme. Moreover, the joint submission of the concluding performance report on the programme, together with the audited financial information, would constitute a comprehensive and authoritative biennial performance report on budget and programme.

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39. The measures taken, or to be taken, by UNOPS to implement the recommendations of the Board of Auditors in its report for the biennium 1994-1995 12/ are described below.

Financial matters

The Board identified three areas where there remained scope for improving financial control.

Recommendation 1 (para. 9 (a))

UNOPS should report to the Executive Board on progress in finalizing its new, dedicated Financial Rules and indicate a timetable for presentation of the Rules to the Executive Board for approval (see para. 39).

UNOPS will report to the Executive Board on this matter at its 1997 annual session. As the Financial Regulations of UNOPS are an annex to those of UNDP and the UNDP Financial Regulations and Financial Rules are scheduled for revision in 1997, UNOPS will, accordingly, schedule revision and promulgation of its dedicated Financial Rules taking into consideration UNDP's future proposals for revision of its Regulations and Rules. Meanwhile, the current UNDP Financial Rules apply to UNOPS mutatis mutandis. The Executive Director considers that the present situation enables him to fulfil his responsibilities for all UNOPS activities.

Recommendation 2 (para. 9 (b))

UNOPS should issue further guidance to certifying officers to clarify that only those purchase orders or contracts signed and issued within the financial period represent valid obligations for that period (see para. 41).

UNOPS agrees and has communicated this finding to the appropriate individuals. Additionally, this matter will be addressed in the UNOPS

Handbook prior to the end of 1996 and further reminders and guidance will be issued well in advance of the end of the current financial period.

Recommendation 3 (para. 9 (c))

UNOPS should closely monitor actual expenditure against budget to avoid the high incidence of overexpenditure (see para. 43).

UNOPS agrees and is actively monitoring the situation on an ongoing basis through the generation of monthly reports and through continual follow-up. At the date of this response, the number of project budgets with lifetime budget overexpenditures has been reduced to six.

Management issues

Business planning and development

The Board concluded that the UNOPS initiative in developing an annual business plan was a significant step forward for the new organization. The Board identified several areas, however, where there was scope for improving the business plan.

Recommendation 3 (para. 10 (a))

UNOPS should set realistic objectives in its business plans and consider the costs and benefits of undertaking the planned tasks (see para. 56).

Section 5 of the 1996 UNOPS Business Plan has been revised to focus on objectives rather than tasks. Additionally, section 5 now includes anticipated benefits and order of magnitude cost assessment.

Recommendation 4 (para. 10 (b))

UNOPS should assess the potential impact that the shifting composition of its portfolio could have on its financial position and set financial targets which reflect its differential income rates (see para. 59).

Section 3 of the 1996 UNOPS Business Plan analyses the impact of portfolio shifts since 1995. Section 4 includes projections of financial targets by client and by division.

Recommendation 5 (para. 10 (c))

In future business plans, UNOPS should prioritize tasks to ensure that they are implemented according to their respective importance to the organization (see para. 61).

All objectives are now prioritized in section 5 of the 1996 UNOPS Business Plan.

Recommendation 6 (para. 10 (d))

UNOPS should establish appropriate measures of success and benchmarks of current performance to assess the impact of its business plans on quality of service and client relations (see para. 67).

Measures of success are now included in section 5 of the 1996 UNOPS Business Plan.

Recommendation 7 (para. 10 (e))

UNOPS should prepare an evaluation strategy (see para. 70).

UNOPS is carrying out the evaluative activities set forth in paragraph 71 of the audit report: the UNOPS Planning and Information Division will maintain responsibility for planning, development and implementation of the Business Plan; the anticipated Finance, Control and Administration Division will evaluate performance improvements; and, in addition to the interim organizational evaluation of the UNOPS Asia Office conducted in April 1996, a follow-on evaluation of that office will be conducted in the first quarter of 1997.

Appointment and management of consultancy services

The Board concluded that UNOPS needed to improve its practices concerning the appointment and management of consultancy services.

Recommendation 8 (para. 11 (a))

UNOPS should regularly review the extent of repeat recruitment to ensure that it exercises sufficient choice in the selection of individual consultants and consultancy firms (see para. 84).

UNOPS concurs. Currently, repeat recruitment is monitored through the UNOPS Procurement Review Advisory Committee and the Projects Personnel Support Unit. In the future, however, the Finance, Control and Administration Division, to be established in the first quarter of 1997, will review these procedures with a view to further improvement.

Recommendation 9 (para. 11 (b))

UNOPS should undertake periodic analyses to identify the specialisms most in demand and any shortfalls in supply, with a view to registering

individuals and firms with the required skills in advance of possible assignments (see para. 88).

UNOPS agrees and notes that, in the case of individual consultants, progress in this area depends upon resolution of the difficulties encountered as a result of roster sharing with UNFPA and UNDP. Once this issue is resolved, UNOPS envisages a review of the rosters and expanded efforts to identify needed expertise. UNOPS will then be in a position to advertise for such expertise and to place qualified firms and individuals on the rosters. The recently established office of the Director of Operations has assumed responsibility for enhancement and systematic use of the rosters.

Recommendation 10 (para. 11 (c))

UNOPS should screen and, where appropriate, register on the consultants' roster those candidates whose details are not yet on the roster; ensure that all staff are fully trained in the use of the roster; and investigate the scope for making the roster available to the UNOPS office in Kuala Lumpur (see para. 102).

UNOPS concurs with the recommendation and is continuing to register individual consultants on the roster. Training on the use of the roster is now available to UNOPS staff as needed and systematic training sessions will be organized for 1997. The RESTRAC résumé database and 'Finder' module on CD-ROM has been available in the UNOPS Asia Office since June 1996.

Recommendation 11 (para. 11 (d))

UNOPS should undertake a review of current market rates for consultancy services, to be used as a benchmark for setting fees, and issue new guidelines to ensure that staff determine fees on a consistent and transparent basis (see para. 103).

UNOPS agrees and suggests that, in view of differing practices which exist among UNOPS, UNDP, UNICEF and UNFPA, the matter may be best dealt with in an inter-agency context. UNOPS will schedule this matter for discussion at a forthcoming inter-agency personnel meeting.

Price-setting and cost control

The Board concluded that UNOPS needed to strengthen and update its price-setting and cost control measures.

Recommendation 12 (para. 12 (a))

UNOPS should develop a workload assessment and costing system (see para. 119).

The development of such a system is included in the 1996 UNOPS Business Plan. UNOPS expects this task to be completed in the second quarter of 1997.

Recommendation 13 (para. 12 (b))

UNOPS should revise the bases for calculating Management Service Agreement fees to reflect current costs more accurately (see para. 123).

UNOPS intends to introduce up-to-date service unit costs in 1997, to clearly document the rationale therefor and to revise these cost schedules as appropriate. The necessary condition for accomplishing this task is the completion of the reorganization process which establishes a new basis for calculating costs. The structural aspects of reorganization will be completed in 1997 and any necessary revision in Management Service Agreement fee structures will be made by the end of 1997.

Recommendation 14 (para. 12 (c))

UNOPS should establish a formal agreement with UNDP that country offices provide UNOPS with a breakdown of their estimated costs in support of Management Service Agreement activities in the field (see para. 128).

UNOPS is currently pursuing the finalization of an umbrella agreement with UNDP which will permit the establishment of detailed and accurate cost breakdowns. This agreement is expected to be finalized before the end of 1996.

Recommendation 15 (para. 12 (d))

UNOPS should assess and document, as part of the project acceptance process, whether the costs of delivering a project are likely to be met by the charges or fees set by or agreed with the relevant clients (see para. 131).

UNOPS recently established the office of the Director of Operations and it has assumed the administration of the project acceptance process. The Executive Director has requested the Director of Operations to revisit the question of a project-by-project assessment of costs and fees.

Recommendation 16 (para. 12 (e))

UNOPS should assess the levels of annual surpluses and accumulated unspent resources to determine levels which are reasonable and consistent with its business objectives (see para. 139).

UNOPS will submit a report on this issue at the 1997 annual session of the Executive Board.

Notes

1/ Official Records of the General Assembly, Fifty-first Session, Supplement No. 5 (A/51/5), vol. III, sect. II.

2/ Ibid., Supplement No. 5 (A/51/5), vol. IV, sect. II.

3/ Ibid., Supplement No. 5A (A/51/5/Add.1), sect. II.

4/ Ibid., Supplement No. 5B (A/51/5/Add.2), sect. II.

5/ Ibid., Supplement No. 5C (A/51/5/Add.3), sect. II.

6/ Ibid., Supplement No. 5D (A/51/5/Add.4), sect. II.

7/ Ibid., Supplement No. 5E (A/51/5/Add.5), sect. II.

8/ Ibid., Supplement No. 5F (A/51/5/Add.6), sect. II.

9/ Ibid., Supplement No. 5G (A/51/5/Add.7), sect. II.

10/ Ibid., Supplement No. 5H (A/51/5/Add.8), sect. II.

11/ Ibid., Supplement No. 5I (A/51/5/Add.9), sect. II.

12/ Ibid., Supplement No. 5J (A/51/5/Add.10), sect. II.